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Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 CIAE-00 INR-10 NSAE-00 RSC-01

XMB-07 TRSE-00 DRC-01 /051 W
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R 111651Z MAR 74
FM AMEMBASSY LIMA
TO SECSTATE WASHDC 9205
INFO USDOC WASHDC

C O N F I D E N T I A L LIMA 1896

E.O. 11652: GDS
TAGS: BEXP, ENRG, EMIN, PE
SUBJECT: TWO U.S. COMPANIES SEEK EXIM ASSISTANCE FOR EQUIPMENT
FOR TRANS-ANDEAN PIPELINE PROJECT

REF: LIMA 1846

1. FOUR REPRESENTATIVES OF RUSTON GAS TURBINES, INC. OF HOUSTON, TEXAS, (INCLUDING A.L. EYSTER, 494043 8$ENT) CALLED ON AN EMBASSY OFFICER MARCH 8, EXPRESSING INTEREST IN OBTAINING EXIM CREDITS, PREFERABLY A DIRECT LOAN, FOR THE EXPORT OF GENERATORS, PUMPS, AND FUELD DESALTING UNITS FOR THE PIPELINE IN APPROXIMATE AMOUNT OF $3-4 MILLION. RUSTON OFFICIALS SAID THEY HAVE RECEIVED LETTER OF INTENT FROM PETROPERU AND WILL BEGIN CONTRACT NEGOTIATIONS THIS WEEK. THEY ARE OBTAINING PARTIAL FINANCING FROM AMBROSE BANK LTD. OF LONDON SINCE RUSTON IS AFFILIATED WITH UK CONCERN OF SAME NAME WHICH IS BUILDING TURBINES FOR PIPELINE. EMBASSY OFFICIALS EXPLAINED BRIEFLY FUNCTIONS AND LENDING PROGRAMS OF EXIM, WITH WHICH RUSTON HAS HAD NO PREVIOUS EXPERIENCE. RUSTON BELIEVES THAT CONCESSIONARY FINANCING IS ALMOST MANDATORY TO MAKE THEIR PROPOSAL ATTRACTIVE TO PETROPERU, AND PLANS HAVE ITS BANK REPRESENTATIVES CALL ON EXIM ASAP.

2. ON SAME DAY TWO REPRESENTATIVES OF ITT (T.J. SMITH, MANAGER TECHNICAL GROUP AND R.P. HARTLEY, DIRECTOR OF MARKETING) CALLED ON EMBASSY OFFICERS. THEY SAID ITT BIDDING ON MICROWAVE COMMUNICATION NET RELATED TO PIPELINE WHICH WILL EVENTUALLY
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RESULT IN $2-3 MILLION CONTRACT. THEY SAID RESULTS OF ITT EFFORTS

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TO INVESTIGATE POSSIBLE AVAILABILITY OF EXIM FINANCING HAD NOT BEEN ENCOURAGING. ITT VICE PRESIDENT JOHN MEYER (212-PL-2-6000) HAD SPOKEN BY TELEPHONE WITH EXIM ON MARCH 6 OR 7 AND HAD BEEN TOLD EXIM HAD NO LENDING PROGRAM FOR PERU. EMBASSY OFFICERS EXPRESSED SURPRISE AND SAID THEIR UNDERSTANDING WAS THAT EXIM IS PREPARED TO BE FORTHCOMING WITH RESPECT TO PIPELINE FINANCING. ITT REPRESENTATIVES BELIEVE THAT EXIM PARTICIPATION WILL BE NECESSARY IF ITT IS TO MEET FOREIGN COMPETITION, WHICH ALMOST CERTAINLY WILL HAVE ACCESS TO CONCESSIONAL FINANCING.

3. ITT OFFICIALS NOTED, IN PASSING, THAT PETROPERU IS REQUIRING EACH BIDDER TO QUOTE THREE ALTERNATIVE TERMS OF PAYMENT, ONE OF WHICH STIPULATES THAT THE BIDDER MUST "PROVIDE AN ADDITIONAL LOAN, IN CASH, TO PETROPERU EQUAL TO THE TOTAL VALUE OF THE CASH PAYMENT" OF THE CONTRACT. THE LOAN WOULD BE DRAWN DOWN DURING THE PERIOD OF THE CONTRACT, OR, IN THIS CASE, FROM APRIL 1974 TO DECEMBER 1975. THEY SAID SIMILAR BIDDING PROCEDURES ARE REQUIRED FOR OTHER PARTS OF THE PIPELINE PROJECT, ALL OF WHICH IS MOST UNUSUAL AND INDICATES THAT PETROPERU IS INDEED VERY CONCERNED ABOUT FINDING ADEQUATE FINANCING.

4. IN REGARD TO ECONOMIC FEASIBILITY OF PIPELINE, RUSTON OFFICIALS SAID THEY UNDERSTOOD FROM RELIABLE SOURCES THAT OCCIDENTAL IS PLANNING CONTRACT FEEDER PIPELINE WITH 100,000 BPD CAPACITY, NOTING THAT OXY IS NOW VIRTUALLY CERTAIN THEIR BLOCK ALONE CONTAINS SUFFICIENT OIL TO JUSTIFY A FEEDER PIPELINE WITH THAT CAPACITY. (PETROPERU OFFICIALS HAVE TOLD EMBASSY OFFICERS THAT 50,000 BPD CAPACITY FROM JUNGLE AT PRESENT PRICES WOULD JUSTIFY TOTAL CONSTRUCTION OF PIPELINE.)

5. ACTION REQUESTED: EMBASSY WOULD APPRECIATE ANYTHING DEPARTMENT MAY BE ABLE TO DO TO BRING EXIM AND ITT TOGETHER ON THIS PROJECT, AS WELL AS FOLLOWING UP ON RUSTON REQUEST.
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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Draft Date: 11 MAR 1974
Decaption Date: 01 JAN 1960
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Disposition Action: RELEASED
Disposition Approved on Date:
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Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Executive Order: GS
Errors: N/A
Film Number: n/a
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Handling Restrictions: n/a
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